

Message Text

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71

ACTION ARA-20

INFO OCT-01 ADP-00 AID-20 CIAE-00 COME-00 EB-11 FRB-02

INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12 CIEP-02

LAB-06 SIL-01 OMB-01 NSC-10 SS-15 STR-08 CEA-02 RSR-01

(ADP)W

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R 251445Z JUL 73

FM AMEMBASSY MONTEVIDEO

TO SECSTATE WASHDC 4933

INFO AMEMBASSY BUENOS AIRES

AMEMBASSY BRASILIA

AMEMBASSY LA PAZ

LIMITED OFFICIAL USE MONTEVIDEO 2278

E.O. 11652: N/A

TAGS: EFIN, UY

SUBJ: URUGUAYAN COMMERCIAL ARREARS AND FINANCIAL MARKET OPERATIONS

REF: MVD 1269

BEGIN UNCLASSIFIED

1. URUGUAYAN CENTRAL BANK AUTHORIZED ON JULY 23 PAYMENT OF ALL COMMERCIAL ARREARS UNDER CIRCULAR 409 NOT EXCEEDING \$25,000. CENTRAL BANK SOURCES TOLD EMBASSY THAT ACTUAL PAYMENT MIGHT NOT START UNTIL LATER THIS WEEK, BUT THAT BANK HOPES TO MAKE PAYMENT ON SUBSTANTIALLY ALL SUCH ARREARS BY END OF NEXT WEEK.

2. IN RELATED MOVE, CENTRAL BANK HAS AUTHORIZED USE OF FINANCIAL MARKET FOR PAYMENT OF INTEREST AND AMORTIZATION OF FOREIGN LOANS DUE THROUGH THE END OF 1972. IT IS ALSO EXPECTED SHORTLY TO ISSUE ANOTHER CIRCULAR ALLOWING USE OF FINANCIAL MARKET FOR PROFIT AND ROYALTY PAYMENTS DUE THROUGH THE END OF 1971.

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3. COMMENT: THE GOU APPEARS FINALLY TO HAVE BEGUN TO ACT TO REGULARIZE ITS COMMERCIAL RELATIONS WITH THE REST OF THE WORLD. BOTH MEASURES WERE ALMOST READY NEARLY A MONTH AGO WHEN POLITICAL CRISIS AND SUBSEQUENT LABOR PROBLEMS WITHIN CENTRAL BANK TEMPORARILY PARALYZED OPERATION OF BANK. OPERATION OF THE BANK IS NOW NEARLY NORMAL.

4. BECAUSE OF SHORTAGE OF LIQUIDITY IN ECONOMY AND FACT THAT SUBSTANTIAL PORTIONS OF OVERDUE PAYMENTS FOR INTEREST, ROYALTIES AND PROFITS ALREADY MADE THROUGH PARALLEL MARKET, THE PARTIAL OPENING OF THE FINANCIAL MARKET IS NOT EXPECTED TO CAUSE MUCH UPWARD PRESSURE ON FINANCIAL EXCHANGE RATE. RATE IS CURRENTLY ONLY ABOUT 1 PERCENT HIGHER THAN COMMERCIAL RATE. IF UPWARD MOVEMENT IS SMALL, CENTRAL BANK CAN BE EXPECTED TO SHORTLY AUTHORIZE FURTHER LIBERALIZATION OF FINANCIAL MARKET.
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